

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 123 - HB 181

March 21, 2021

SUMMARY OF ORIGINAL BILL: Enacts the Annual Coverage Assessment Act of 2021, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$603,438,100/FY21-22/

Maintenance Coverage Trust Fund

Increase State Expenditures - \$603,438,100/FY21-22/

Maintenance Coverage Trust Fund

Increase Federal Expenditures - \$1,186,913,900/FY21-22/

Maintenance Coverage Trust Fund

The Governor's proposed budget for FY21-22, on page A-34, recognized revenue in the amount of \$602,636,800. Corresponding non-recurring appropriations in the amount of \$1,770,743,400 (\$602,636,800 in state funds and \$1,168,106,600 in federal matching funds) are also included.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$1,790,352,000/FY21-22

Increase Business Expenditures – Less than \$1,790,352,000/FY21-22

Jobs Impact – Not Significant

SUMMARY OF AMENDMENT (004830): Deletes all language after the enacting clause. Enacts the *Annual Coverage Assessment Act of 2021*, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base. Adds a new subdivision to Tenn. Code Ann. § 71-5-2005(d) that authorizes use of funds within the Maintenance of Coverage Trust Fund for programs and initiatives developed by the Division in consultation with the Tennessee Hospital Association to offset the unreimbursed costs of providing services to TennCare enrollees and the financial consequences of the public health emergency caused by the COVID-19 pandemic.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – \$600,452,500/FY21-22

Maintenance Coverage Trust Fund

Increase State Expenditures – \$609,301,600/FY21-22

Maintenance Coverage Trust Fund

Increase Federal Expenditures – \$1,196,455,700/FY21-22

Maintenance Coverage Trust Fund

The Governor’s proposed budget for FY21-22, on page A-34, recognized revenue in the amount of \$602,636,800. Corresponding non-recurring appropriations in the amount of \$1,770,743,400 (\$602,636,800 in state funds and \$1,168,106,600 in federal matching funds) are also included.

Assumptions for the bill as amended:

- Based on information provided by the Division of TennCare (Division), the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$600,452,500.
- Additionally, \$8,849,100 of current MCTF dollars will be expended as a result of the proposed legislation resulting in \$609,301,600 (\$600,452,500 + \$8,849,100) of expenditures qualifying for federal matching funds.
- It is estimated \$608,276,600 (\$609,301,600 - \$275,000 - \$750,000) will be expended at a state rate of approximately 33.705 percent and will receive federal matching funds at a rate estimated to be 66.295 percent. The resulting increase in federal funds will be approximately \$1,196,430,713 $[(\$608,276,600 / 33.705\%) \times 66.295\%]$.
- It is estimated \$275,000 for ADT contract payments and \$750,000 for stipends for healthcare professionals who commit to work in designated medically underserved areas of this state will be expended at a state rate of approximately 50.0 percent and will receive federal matching funds at a rate estimated to be 50.0 percent. The resulting increase in federal funds will be approximately \$1,025,000 $[(\$275,000 + \$750,000)/50.0\% \times 50.0\%]$.
- The total increase in federal funds will be \$1,197,455,713 (\$1,196,430,713 + \$1,025,000).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue – \$1,197,455,700/FY21-22

Increase Business Expenditures – Less than \$1,197,455,700/FY21-22

Jobs Impact – Not significant

Assumptions for the bill as amended:

- Hospital providers will incur an increase in federal revenue in FY21-22 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures in FY21-22 for funding the state portion of the Act.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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